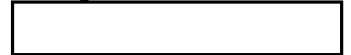


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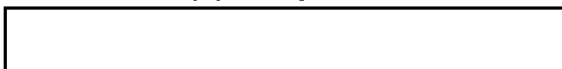
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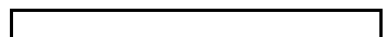
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State Dept. review completed

DIA review(s) completed.



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PORTUGAL

The Portuguese Armed Forces General Assembly session scheduled for today has been put off until Friday, possibly because of the likely departure of the center-left Popular Democrats from the coalition government tomorrow.

According to Popular Democratic leader Balsemao, party head Guerreiro was told yesterday by Prime Minister Goncalves that the government will not accept the conditions presented to President Costa Gomes last Friday by the Popular Democrats. The conditions, which Guerreiro said would determine whether or not the Popular Democrats would withdraw from the government, included guarantees for a free press, municipal elections, and Movement support for the moderate-dominated constituent assembly. Balsemao is convinced that Costa Gomes—after consultation with the Revolutionary Council—will reject the proposals when party leaders meet with him tomorrow, leaving the Popular Democrats no choice but to pull out of the government.

A withdrawal by the Popular Democrats—less than one week after the Socialists pulled out—could prompt military leaders to dissolve the remains of the coalition government rather than continue with only Communist support. One left-wing splinter party usually sympathetic to the Communists has called for the formation of a “noncoalition revolutionary government” without nonpartisan civilian participation. This concept might appeal to the Movement as a complementary structure for their planned pyramid of popular assemblies. Another option would be simply to appoint an all-military government.

The outspoken opposition to these “direct links” with the people through “popular assemblies” appears to be aggravating divisions within the military and has generated efforts to reassure the people that the military does not intend to assume dictatorial powers.

In a televised discussion on Sunday that was characterized as “defensive” by the Communist-dominated press, four Revolutionary Council members said that the plan is not definitive and needs further discussion. They said the plan was designed to increase political participation by the people and would proceed at a pace determined by popular will.

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ANGOLA

According to press reports from Zaire, Agostinho Neto, president of the Popular Movement for the Liberation of Angola, has been deposed by Mito Alves, a top military commander of the Movement who has consistently pushed for a tough military campaign against the National Front for the Liberation of Angola. This report comes as heavy fighting resumed in Luanda between the two liberation groups. Last night, however, Lisbon radio reported that Neto led a delegation from the Popular Movement to a meeting with Portuguese Foreign Minister Antunes.

We cannot confirm that Neto has been deposed, but the intensity of the Popular Movement's current military campaign is consistent with the tough line advocated by Major Alves. Alves appears to be in full command of the campaign.

According to the US consul in Luanda, the Movement is well along in its effort to drive the National Front out of the city. A number of senior Front officials reportedly have fled to Zaire. [REDACTED]

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Lisbon's alarm over the deteriorating situation in Angola was reflected in the sudden departure of Antunes for Luanda on Sunday. Antunes, a key moderate, has been playing a central role in the power struggle taking place in the Portuguese capital. The prestige of Portugal's military leaders rests heavily upon the success of its decolonization policy, now threatened by the renewed fighting and the growing tide of Portuguese refugees.

Antunes said that Lisbon had "reached its limit" in efforts to bring peace to Angola and that it might now seek intervention by some international body. While not blaming any Angolan faction, Antunes promised that Portuguese forces would play a more energetic role in restoring order. The US consul reported last night that two companies of Portuguese commandos have been ordered into the center of Luanda to restore order.

If the Portuguese do not step in, the Popular Movement's offensive may well defeat the National Front. It would then probably be only a matter of time before the Movement proceeded against the National Union for the Total Independence of Angola, the third of the territory's liberation groups. Reports now reaching Luanda, in fact, indicate that the Movement did attack two small garrisons of the National Union on Sunday. [REDACTED]

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CSCE

Agreement was reached yesterday at the European security conference to accept a Canadian proposal setting July 30 as the opening date for a Helsinki summit.

The decision was made possible when NATO and the Warsaw Pact bowed to Malta's demand that the final document include a call for the eventual reduction of armed forces in the Mediterranean region.

During yesterday's session, final agreement was also reached on language concerning follow-on procedures for the conference and a clause protecting Allied rights in Berlin and Germany.

The Canadian proposal sets today as the deadline for resolving all remaining issues, but negotiations—primarily concerning confidence-building measures—will probably be extended for several days. If final agreement is not reached in time to convene a July 30 summit—which is the last time the Finns could hold it until the fall—the conference will assume Finland's costs. Preparations were begun in Helsinki on Saturday in anticipation of today's decision.

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FRANCE-USSR

French Foreign Ministry officials recently admitted to the US embassy that the USSR seems disappointed with President Giscard's foreign policy. The French officials are hopeful, however, that Giscard's trip to Moscow next October will clear the air, and they are not worried about adverse effects on bilateral relations.

The most recent manifestation of a "chill" in French-Soviet relations is the vitriolic attack on French Minister of the Interior Poniatoski which the Soviet news agency Tass carried last week. Poniatoski was condemned for claiming that the alleged Ponomarev document recently published in a French newspaper was not a fraud, as claimed by the French Communist Party, but a Soviet guideline for seizures of power by Communist parties.

Moscow could hardly have ignored Poniatoski's remarks, in view of its strong protestations that the "Ponomarev document" was a forgery trumped up by the Portuguese Socialists to discredit the Soviets and the Portuguese Communists. The French, we believe, are nevertheless correct when they assume that the Soviet attack on Giscard's closest political associate was also a thinly veiled signal from Moscow to the French President on other issues. One high-ranking official of the Foreign Ministry believes the Soviets have found Giscard too European and Atlanticist.

The official believes that Moscow is particularly concerned about the possibility of a secret agreement between Paris and Bonn that would allow French Pluton tactical nuclear missiles to be stationed in West Germany. The Soviets fear that an agreement on Pluton could enhance the prospects for an independent European defense, to which the USSR is strongly opposed. Moscow may have viewed its blast at Poniatoski as an opportunity to weigh in with Giscard prior to the French - West German summit meeting at the end of this month.

Paris and Bonn continue to deny that there are plans for stationing Plutons in West Germany, but the French and West German military planners are probably examining use of the Pluton in the event of hostilities.

Giscard has already demonstrated an awareness of the Soviet concerns in this area. In May, he sympathized with Soviet fears of an independent European defense arrangement and asserted that the problem should not be addressed until more political unification has been achieved. His statement was widely criticized in France as a concession to the Soviets.

French-Soviet relations have suffered other, more minor irritants in the past two months. According to French officials, the irritants include Giscard's

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termination of V-E Day celebrations in France and his visit to Poland in mid-June. The Soviets faulted Giscard for not defending the USSR in the face of several strong attacks against the USSR that Chinese Vice Premier Teng Hsiao-ping made during his visit to Paris in mid-May.

We also have reason to believe that French-Soviet economic relations are not proceeding as smoothly as Paris had expected, despite Finance Minister Fourcade's "successful" trip to Moscow last week. In March, Paris had predicted orders of \$2.5 billion from the USSR this year; so far, according to the Paris daily *Le Figaro*, firm orders amount to less than \$14 million.

The discrepancy probably is caused in part by overoptimism on the part of French businessmen. It may also reflect Soviet delay while the USSR "digests" the flood of goods it ordered at the end of last year in order to profit from low interest rates that expired on December 31.

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SPAIN - SPANISH SAHARA

Madrid's efforts to settle the dispute over the future of Spanish Sahara are being frustrated by the delaying tactics of Morocco and Mauritania over a four-power conference and by renewed violence in the territory.

Spain's inability to persuade Morocco, Algeria, and Mauritania to attend a conference in Madrid on July 9 has led the Spanish government to instruct its UN representative to urge Secretary General Waldheim to convoke four-power talks on Spanish Sahara under his auspices. Spanish officials hope that direct UN involvement in the dispute will deter the three powers from engaging in aggressive actions against the Sahara while talks are in progress.

The three African states may be no more responsive to a request by the UN secretary general than they were to Spain's earlier invitation to meet in Madrid. Rabat is likely to be opposed, probably citing the pending decision by the International Court of Justice expected in October. Mauritania will probably straddle the fence and simply not reply. The Algerians are likely to favor the conference. If action is not forthcoming and violence continues, Madrid is likely again to threaten unilateral withdrawal from Spanish Sahara.

Meanwhile, there was renewed violence in Spanish Sahara over the weekend. Three policemen in El Aaiun, the Saharan capital, were killed and a fourth seriously injured by a bomb allegedly planted by followers of the pro-independence Polisario Front backed by Algiers. In another incident, the son of the leader of the Spanish-backed Saharan National Union Party was killed when a bomb demolished a car. According to press reports, police arrested more than 150 persons in El Aaiun suspected of supporting the Polisario Front.

These bombings, and a statement issued on July 7 by a Polisario Front representative in Paris demanding self-determination, cast further doubt on the recent statement by Morocco and Algeria that they had reached an understanding on the future of Spanish Sahara. This understanding would envisage partition of the disputed territory between Morocco and Mauritania without recourse to a referendum.

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ETHIOPIA

Armed insurgents believed to be members of the Popular Liberation Forces faction of the Eritrean insurgent movement today seized two US and three Ethiopian civilian employees of the naval communications unit at Asmara. The five were taken from the transmitter site, located about eight miles southwest of the city near the airport.

Although there have been several isolated incidents over a period of years involving seizure of US nationals by the rebels, this represents the first apparent deliberate attempt to kidnap Americans from the communications facility. There had been some concern, following the US decision to resupply the Ethiopian armed forces with ammunition, that the rebels would take anti-US reprisals. Since the resupply was completed some two months ago, however, this action would seem to be belated, or it could represent a change in the general hands-off policy concerning Americans.

There are some 50 to 60 Americans remaining in Asmara, including 40 military and civilian personnel with the naval communications unit and about 5 persons assigned to the consulate. [REDACTED]

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ARAB STATES - ISRAEL

Syrian Foreign Minister Khaddam has introduced, at the Islamic foreign ministers' conference in Jidda, a draft resolution calling for the suspension of Israel from the UN General Assembly. Citing Israeli failure to implement UN resolutions, the draft resolution called for Israel to be barred as well from all international conferences under UN auspices.

The Saudi chairman of the conference reportedly managed to keep the resolution off the agenda, but no Arab country will openly oppose the resolution if it comes to a vote.

Khaddam told Ambassador Murphy late last week that the Syrian intention is to prepare "the international atmosphere" for possible future action in New York if there are no "positive results" from the diplomatic exchanges now under way. He emphasized that "a successful negotiation affecting one front only does not change matters at all and it will only prompt us to take further action to isolate Israel." He indicated that Syria would make a judgment by early August on the extent of progress.

Khaddam complained bitterly to Ambassador Murphy about recent Israeli declarations that they would never withdraw from the Golan Heights.

This latest move by Damascus stems from Syrian fears that progress toward a further Sinai disengagement will make any agreement on the Golan Heights increasingly difficult. An editorial in the Damascus daily *Al-Thawra* of July 12 says that the Arabs have gone too far in their desire for a political settlement and have sacrificed time needlessly. The editorial, described by the embassy as having overtones of official inspiration, calls for the re-evaluation of the results of the policy pursuing a settlement through political activity and cites the need for the Arabs to rely more on their own efforts.

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INDIA

The Indian Supreme Court yesterday set August 11 as the date to begin hearing oral arguments on Prime Minister Gandhi's appeal of her recent conviction for corrupt election practices in 1971.

The final decision probably will not be reached until late summer or early fall. In the interim, Mrs. Gandhi can continue to function as Prime Minister but not vote in parliament, which is to reconvene next Monday for a week or two.

Even if the court rules against Mrs. Gandhi, she may well remain in office. She could, for instance, have the election commissioner, whom she appointed, lift the penalty attached to her conviction, which calls for her exclusion from public office for six years.

Information on both the parliamentary session and the court case will be scarce in coming weeks. Media coverage of both events is now proscribed, as are statements by representatives of any of the 26 extremist organizations banned on July 4. The government has tightened censorship regulations, and there appears to be increasing likelihood that several more foreign correspondents will be expelled.

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ARGENTINA

The opponents of controversial presidential adviser Lopez Rega, who was ousted last week from two official posts, are continuing their efforts to assure his complete removal from government.

The former minister yesterday was accused of masterminding the Argentine Anti-Communist Alliance, which reportedly has engaged in right-wing political assassinations. The charge grows out of an army investigation. Late last week, a member of congress called for Lopez Rega's impeachment on similar grounds.

Lopez Rega has long been thought to be behind the Alliance; few persons, however, have dared to accuse him, even indirectly, for fear of violent retaliation. The formal charge seems designed to ensure that recent success in forcing Lopez Rega out of his two important posts—welfare minister and presidential private secretary—is not reversed. Moreover, his opponents seek to make it as difficult as possible for him to influence remaining government officials identified with him. The accusation will also increase the pressure on the President not to continue to rely on him in any fashion.

Pressure on Mrs. Peron is also emanating from members of her party, long dissatisfied with her for excluding them from decision-making and for allowing the party hierarchy to wither. Some dissidents reportedly are seeking to oust Mrs. Peron as the party's chief by electing new leaders.

The dissidents were apparently emboldened by last week's action against Lopez Rega, the man responsible for the exclusion of party leaders from the inner circle. Two of the Peronist movement's top leaders have already quit their party positions in protest. [REDACTED]

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LAOS

The Lao agreed yesterday to return the USIS warehouse in Vientiane to US control, but a number of thornier issues remain unresolved.

Demonstrators and police, for example, still occupy two US compounds in the capital, and Lao officials are still refusing to return non-USAID property seized by demonstrators. The US charge failed to make any headway in discussing these problems with Foreign Ministry officials or with Prime Minister Souvanna Phouma late last week. Efforts to resolve salary demands by national airline employees affected by the termination of AID contracts also remain deadlocked.

The return of the USIS warehouse closely follows the arrival in Vientiane of hard-line replacements for the three "moderate" communist ministers recently placed on sick leave. The most important of the new officials, acting deputy prime minister and foreign minister Phoune Sipraseuth, apparently slipped into Vientiane with little fanfare last week. Soon after his arrival the Foreign Ministry officially communicated the government's desire to begin new aid negotiations with the US.

The US embassy has made it clear on several occasions that it would not address such questions until the problems resulting from the dissolution of AID had been resolved. To date, Lao authorities have made no public or private comments on US Congressional actions to prohibit any further US assistance to Laos.

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